Definitions and Reporting Instructions for Form HUD-136.4
Mortgage Loan Flows and Commitments of State and Local Government Agencies

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

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Definitions

1. **Mortgage Loan**. Indebtedness, whatever the purpose, incurred by **private** borrowers, which is secured by a mortgage or other lien (first or inferior) on **real property** located in the United States. The property must be located in the United States, which includes outlying parts such as the Canal Zone, Guam, Puerto Rico, and the Virgin Islands as well as the 50 States and the District of Columbia. Loans on properties located in Canada or other foreign countries are to be excluded.

The borrower must be a private individual, partnership, corporation, or association, operating for profit or as a nonprofit organization. Obligations issued by State or local governments or other public bodies are regarded as "municipal securities," even though the words "mortgage bond" may appear in their designation. Consequently, they are not counted as mortgage debt. Ordinarily, a mortgage loan is secured by a mortgage lien on real property, and this lien may be exercised i the event of default on the loan. In those States where a mortgage lien is not employed, a lien on the underlying property may be achieved by a land contract, deed of trust, or other legal mechanism by which the lender assumes ownership of the property in the event of default. The mortgage lien usually is a first lien, especially for financial institutions subject to Federal or State supervision, but it may be a second or inferior lien.

The term "mortgage loan" does not include loans to real estate companies, mortgage companies, or other financial institutions where real estate mortgage loans are pledged as collateral against the loans made to such institutions. Similarly, certificates of participations or other credit instruments issued against a pool of mortgage loans are not classified as mortgage loans.

2. Delineations of Mortgage Loans

a. Type of Property

(1) **1–4 Family Nonfarm Homes**. Nonfarm properties containing 1, 2, 3, or 4 dwelling units, plus permanent loans on apartments located in a condominium residential building, even though the individual units are part of an apartment house. Also included are loans for homes under construction.

(2) **Nonfarm Multifamily Residential Properties**. Property with 5 or more dwelling units. Include apartment houses, apartment hotels designed primarily to house families on a more or less permanent basis, and housekeeping dwellings with commercial units combined where use is primarily residential. Also included are loans for apartment houses under construction for rental or sale.

(3) **Nonfarm, Non-Residential Properties**. Business and industrial properties, office buildings, hotels, churches, hospitals, group medical buildings, educational and charitable institutions, dormitories, clubs, association buildings, nursing or convalescent homes, congregate homes for the aged or orphans, and other properties that are not classified as residential or farm. Also included are loans for nonfarm, non-residential properties under construction.

(4) **Farm Properties**. Farm land the improvements thereon. Also included are soil and water conservation loans and farm ownership loans insured by the Farmers Home Association, provided that the borrower is a private individual, partnership, or corporation. Also included are loans for farm properties under construction.

b. **State of Construction**

(1) **Long-Term Loans** or "permanent loans" (sometimes called "mortgage loans"). Loans secured by mortgages on completed properties, or on properties previously occupied.

(2) **Construction Loans**. Loans, secured by mortgages, that are used to finance some phase of construction activity, including demolition of existing structures in order to make way for new construction as well as erection of buildings, and substantial additions to an existing property.

(3) **Land and Development Loans**. Mortgage-secured loans on vacant land, other than farm land, to finance the holding and/or development of such land.

c. **Type of Loan**

(1) **FHA Insured**. Insured by the Federal Housing Administration.

(2) **VA Guaranteed**. Guaranteed or insured by the Department of Veterans Affairs.

(3) **Conventional**. Loans other than FHA insured of VA guaranteed. Include residential loans on nonfarm tracts insured by the Farmers Home Administration.

d. **Character of Property** (The following distinction applies only to originations of long-term loans for 1-4 family nonfarm homes and multifamily residential properties)

(1) **Existing Properties**. Any property that has been previously occupied. Included in this category are loans used to finance the purchase of an existing structure, to refinance an outstanding loan, to pay for repairs, minor improvements, or alterations on an existing property (including those recently constructed), and to pay for taxes, insurance, or other non-realty acquisitions or expenditures. It also includes add-on loans to finance property improvements, payments of taxes and insurance, or other non-realty purposes.

(2) **New Properties**. Newly constructed properties that have not been previously occupied; also include substantial additions or alterations to improve an existing property.

3. **Transactions Covered**

a. **Loan Originations**. Loans that are made, originated, or closed directly with a borrower by a particular financial institution or by any of its branch offices or by an agent acting in its name.

The amount of the loan originations equals the sum posted by the financial institution on its books at the time of loan closing (or loan origination, in the case of construction loans) and is thereafter counted as part of its mortgage loan holdings for the month involved.

Owing to different accounting practices, some lenders post loans at cost; and other lenders post the par amounts of loans made. Similarly, where there are progress payments or partial disbursements of a mortgage loan, some lenders record the entire amount of the loan at the time of initial disbursement or closing; and other lenders record only the amount disbursed. Whatever accounting system is used, it should be consistently followed.

Add-ons to an existing loan to finance improvements, payments of taxes and insurance, or for other purposes should be counted as part of loan originations.

b. **Loan Purchases** arise whenever a lender acquires a mortgage loan by purchase or assignment from another lender who either had originated the loan or had acquired it from someone else. Loan purchases also include purchases of participations in one or more long-term mortgage loans. Loan purchases (under warehousing) subject to repurchase agreements should be excluded.

In essence, a loan purchase involves a transfer of a mortgage loan from one holder to another in exchange for payment, which may be immediate or delayed. For purposes of this report, assignment of a loan to an insuring agency or company in default situations is construed as a mortgage loan purchase by the insurer.

c. **Loan Sales** include sales of whole loans or participations in long-term loans by loan correspondents to permanent investors pursuant to commitments, sales without prior formal commitments, and assignments to an insuring agency or institution. Loan sales (under warehousing) subject to repurchase agreements should be excluded.

d. **Loan Repayments and Other Terminations** are reductions of mortgage loan holdings for reasons other than loan sales.

e. **Outstanding Loan Balance** at the beginning and the end of a period reflects the loans outstanding as of these two dates. They should be reported on a gross basis, that is, gross of any valuation reserves.

4. **Mortgage Loan Commitments**

a. **Definition**. The term "commitment" means any firm agreement by a lender to acquire a mortgage loan, either by origination or by purchase, at some later date. The commitment may be in writing or it may be oral, but the lender must regard it as at least morally, if not legally, binding.

Commitments may be for land or land development, construction financing with or without long-term ("permanent" or "mortgage loan") financing intended, or for long-term financing only. A commitment for a long-term loan may be made directly to a homebuyer, the owner of an income-producing property, or to a builder by a financial institution or public agency whether or not the lender intends to hold the resulting long-term mortgage loan.

At the time the lender makes a commitment for a loan, it usually knows the identity of the borrower and the property for which the loan is sought. In the case of commitments to builders for long-term loans, the specific properties are known, but the identity of the long-term borrower is frequently unknown at the time of commitment.

To minimize double counting, commitments should be reported only for those loans that your agency acquires by origination in its own name. Excluded are loans that are made or closed in the name of, or for the account of, another lender. Repurchase agreements and participation agreements between one financial institution and another, however, are not regarded as "commitments," since they relate to mortgage loans already closed. Also excluded from commitments are the allocations or the allotments the lending institution gives to a loan originator with neither borrowers nor the individual properties known when the allocations are made. These allocations are not regarded as commitments inasmuch as there are no property or borrower details about which firm agreements can be made.

b. **Total Outstanding Commitments** at the end of the month, for most lenders, equal the sum of (1) commitments outstanding at the beginning of the month, which were neither taken down nor cancelled during the month, (2) new commitments made during the month and still outstanding at the end of the month, and (3) undisbursed portions of commitments where there is a partial takedown. Some lenders exclude the last item, preferring instead to regard such undisbursed amounts as "loans in process."

Instructions

1. **General Instructions**

Please complete and return the form with the least possible delay, preferably within 2 weeks.

All entries should be reported in dollars, rounded to the nearest thousand dollars. Do not report number of transactions (loans).

All entries should be on a "disbursement basis" accounting system; that is, entries are to be included in the loan origination or loan purchase tabulations as funds are actually disbursed and posted on the books. Under this disbursement system, when a loan is made pursuant to a forward commitment, the outstanding commitment is reduced by the amount of the loan disbursement.

To avoid double counting of the same loan among the different lender groups that comprise the comprehensive data system, entries in this report should relate only to those loans which your agency acquires in its own name and which are counted as part of its holdings in its balance sheet. Exclude any loans your agency acquires in the name of, or for the account of, another lender.

Entries should relate to all mortgage loans secured by liens on real properties located in the United States and such outlying areas as Puerto Rico, the Virgin Islands, Guam, and the Canal Zone. Exclude any loans for properties located in Canada or other foreign countries.

2. **Gross Flow of Mortgage Loans**

Part I of this form is designed mainly to provide information on loan originations, loan purchases, and loan sales on the basis of actual transactions.

Part I is subdivided as follows:

- A—Long-term mortgage loans
- B—Construction loans
- C—Land and development loans
- D—Grand total

A type-of-property breakdown is requested under:

- A—Long-term mortgage loans
- B—Construction loans

Report **Loan Originations** for the month during which the loan closing (or comparable action, in the case of construction loans or land and development loans) occurs and is posted on your books, even through recording of the mortgage may occur sometime later. To the extent feasible, report refinancing of an outstanding loan on a gross basis; that is, the sum of the outstanding loan being refinanced plus the additional loan being made. Then record the previous outstanding balance under column 5, "Repayments."

Originations of long-term mortgage loans, construction loans, or land and development loans should be reported on a disbursement basis under column 2 on the appropriate lines delineating the type of property for which the loans were made.

Report **Loan Purchases** for the month in which your agency takes title to, or agrees to take delivery of, the loans, even though the delivery of the loans or recording of the transfers may occur sometime later. The amount of loan purchases to be reported is the amount your agency posts on its books.

Report purchases of long-term mortgage loans under column 3 on the appropriate lines for type of property and type of loan. Include under purchases of long-term loans the amount of participations taken by your agency.

Where there are participations in a construction loan, the lead lending agency should count the entire amount of the construction loan as its loan origination. The other participating agencies should not report any "purchase" of this construction loan. Consequently, when construction is completed, the other participating agencies should not report any "resale" of the construction loan to the lead agency in anticipation of a takedown of the "permanent" loan by the long-term investor. Instead, at the time of takedown, the lead agency should report a repayment (under column 5) of the entire construction loan.

Report **Loan Sales** for the month in which your agency transfers title to, or agrees to make delivery of, the mortgage loans. As indicated by the form, loan sales should be reported only for long-term mortgage loans. The amount of loan sales to be reported is the amount your agency removes from its books.

Sales of long-term mortgage loans should be under column 4 on the appropriate lines for type of property and type of loan.

For newly constructed properties, a separate accounting should be made of the construction loan used to finance the physical construction of the property and of the long-term loan used to finance the acquisition of the property. Accordingly, the reporting form distinguishes construction loans from long-term loans.

When construction loans are disbursed, enter the amounts disbursed under column 2 on the line for the respective property type. When physical construction of the property is completed or when the long-term loan is taken down by the long-term investor, there should be an entry reflecting a "repayment" of the construction loan for the month during which the construction completion or takedown occurs.

Depending on the circumstances detailed below, there may or may not be a corresponding entry reflecting an origination of the long-term loan. This separate accounting for the construction loan and for the long-term loan should be made irrespective of whether your agency records a "repayment" of the construction loan and an "origination" of the long-term loan by transferring the loan from one account to another. The entries to be made are as follows:

a. If your agency is making both the construction loan and the long-term loan, at about the date of construction completion, report a "repayment" under column 5 for the construction loan and an "origination" under column 2 for the long-term loan on the completed property. Such entries should be made even though there is no separate closing of the long-term loan and the long-term loan is supported by the same legal documents as the construction loan.

b. If your agency makes the construction loan and the long-term loan is to be made by another lender:

(1) For 1–4 family homes, at the time of closing of the long-term loan, report under column 5 a "repayment" of the construction loan and under column 2 an "origination" of the long-term loan. When the long-term loan is sold, it should then be reported under "loan sales" and the purchasing institution would report the loan under "loan purchases."

(2) For income properties (multifamily residential or non-residential properties), the common practice is for the construction lender to transfer the loan (usually by assignment) to the long-term lender on the stipulated takedown date. In such a situation, report under column 5 a "repayment" of the construction loan for the month in which the takedown occurs, and the long-term investor will report under column 2 an origination of the long-term loan.

Repayments and Other Terminations (column 5) are residual figures, to be furnished only if there are entries under columns 1 and 6. This residual equals the sum of the Beginning Outstanding Balance (column 1), plus the sum of Loan Originations (column 2) and Loan Purchases (column 3), minus the sum of Loan Sales (column 4) and Ending Outstanding Balance (column 6).

3. **Memorandum**

The memorandum note at the center of the form calls for a breakdown of data requested on the form between new and existing properties. For the amounts shown on lines A-1d and A-2c under column 2, originations of long-term mortgage loans on 1-4 family nonfarm homes and on multifamily residential properties, distinguish between loans on new properties and loans on existing properties. New properties are completed, newly constructed properties (including substantial additions or alterations to an existing property) that were not previously occupied. Existing properties are those that were previously occupied (including loans for refinancing, property improvements, and non-realty purposes).

Where an agency does not regularly separate loans on new properties from loans on existing properties in its tabulations, it may estimate these component figures on the basis of informed judgments regarding their relative proportions in that month.

4. **Mortgage Loan Commitments**

Part II of this form is designed to ascertain the volume of outstanding commitments to acquire mortgage loans that are to finance the construction or acquisition of properties, land, or land development. Excluded are commitments in the form of allocations or allotments given by long-term investors to their mortgage correspondents or in the form of repurchase agreements.

Part II is subdivided as follows:

1. Total outstanding commitments at end of month;

2. New commitments made during month and still outstanding at the end of the month.

In part II generally, report only commitments to builders or property owners made by your agency for its own account. Exclude commitments to builders or property owners made by your agency in the name of, or for the account of, another lender that has agreed to take down the loan after it has been closed. Exclude also commitments under repurchase agreements and allocations or allotments to mortgage loan correspondents.

Total Outstanding Commitments consist of all commitments outstanding at the beginning of the month that wee neither taken down nor cancelled during the month, plus commitments made during the month that are still outstanding at the end of the month.

Report under **New Commitments** those made during the month and outstanding at the end of the month, including those made earlier which had been cancelled but have been reinstated during the month reported.

Exclude commitments entered into and taken down during the month, and those both made and cancelled in the same month. The amount of commitment to be reported should be the actual cash outlay covered by the commitment, even though it may not equal the face amount of the loan.

Part II of the form has four columns denoting property type. Column 4 equals are sum of columns 1 through 3.

Under items 1 and 2 of Part II of the form, a distinction is made between commitments for (a) construction loans and (b) long-term mortgage loans. Where a commitment is for a construction loan only, enter the amount on line (a). Where a commitment is for a long-term mortgage loan, enter the amount on line (b). Where a commitment is for both a construction loan and a long-term mortgage loan, enter the amount on both lines (a) and (b). This implied double-counting is desirable because two distinct types of commitments have in fact been made.